
Finance Committee

HB 1094

Brief Description: Establishing reporting requirements to monitor the effectiveness of tax incentives.

Sponsors: Representatives Santos, Hasegawa, Conway, Darneille, Chase, Hudgins, Dickerson, Schual-Berke, Morrell, Wood and McCoy.

Brief Summary of Bill

- Requires persons who benefit from tax incentives to file annual survey information about their business activities, amount of tax incentives, employment, wages, and employee benefits.

Hearing Date: 1/19/05.

Staff: Bob Longman (786-7139).

Background:

The Legislature has enacted more than 400 tax exemptions, according to a report published by the Department of Revenue every four years. The term "exemption" is used broadly to include tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates. These are also sometimes referred to as "tax preferences." The report describes each exemption, the year of enactment, the purpose of the exemption (or the Department's best estimate of the purpose), an indication of primary beneficiaries, and estimated fiscal impact. Many tax exemptions are identified in the report as "business incentives" intended to attract or retain businesses in Washington and create employment opportunities.

Summary of Bill:

The Legislature finds that tax incentives may create new jobs, diversification of the economy, and raise living standards but may result in higher tax burdens on those not eligible for tax preferences or result in a lower return to the public than if the taxes were collected and spent on education and health care. The Legislature finds that it is necessary to enact eligibility standards and collect, analyze, and make public information regarding tax incentives.

A list of tax exemptions, exclusions, deductions, and credits are identified as tax incentives. A person receiving a tax incentive must file an annual survey with the Department of Revenue by March 31st of each year. The survey must identify the person and include information about the person's business activities and the tax incentives being taken. The survey must also detail

employment, wages, and employer-provided health and retirement benefits. The survey must include a statement explaining why the person needs the tax incentive in order to create new jobs or to fulfill some other public benefit. All information collected may be disclosed to the public upon request.

The Department may extend the due date for a survey if the due date was missed due to circumstances beyond the control of the taxpayer. Surveys must be filed electronically. The Department may waive the electronic filing requirement for small businesses.

Appropriation: None.

Fiscal Note: Requested on January 13, 2005.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.